U.C. Santa Cruz Faculty Association

An Independent Senate Faculty Union since 1975

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As faculty are gradually becoming aware, the Chancellor and EVC are currently enacting an aggressive three-year process of making deep cuts across the campus. SCFA firmly believes in shared governance and is disturbed by the growing consolidation of power and opacity of decision-making, especially at a time when there appears to be evidence of financial mismanagement. We are also deeply concerned about the impacts of the cuts currently being discussed on staff and faculty working conditions and our ability to carry out our core mission of research and teaching.

At the Winter 2024 Senate meeting, faculty asked the administration many direct questions about the announced structural deficit but received few concrete answers. Information has generally been shared in a piecemeal fashion, leaving many confused about the causes and likely consequences of the budget deficit. The lack of transparency regarding the history, causes, and extent of the deficit, as well as a lack of meaningful engagement with faculty and staff about how to address this deficit, has led us to conduct our own research and analysis.

In this document, we present: 1) a few key findings drawn from analysis of the public dashboards; 2) some critical questions that urgently need detailed answers from the administration; and 3) a handful of principles and suggestions for moving forward in a manner that does not permanently damage the academic mission of the university. These reflections are not meant to be definitive but are intended to launch a more productive and detailed conversation among all campus constituencies about the budget and to call for greater accountability from campus leadership.

Causes of the deficit

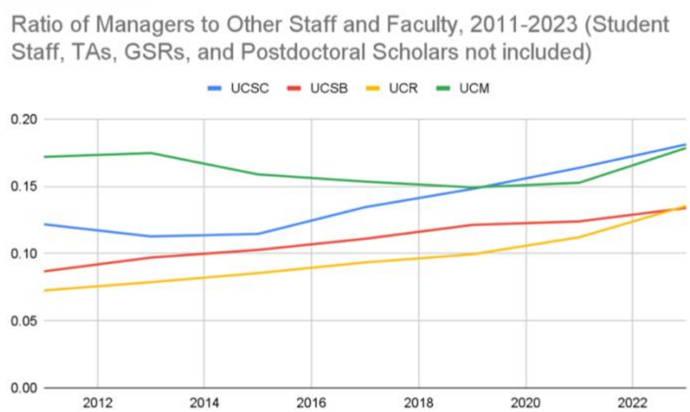
At the Winter 2024 Senate meeting, EVC Kletzer indicated that the current structural deficit in core funds began in 2020, and that one-time federal COVID relief funds were used to create and support what are now ongoing projects related to student success and remote work. While rising salaries and benefit costs for existing employees are part of the increase in expenditures, UC Santa Cruz experienced significant workforce expansion across all employee categories between 2020-2024, with employee Full-Time Equivalents (FTE) growing 20% from 2020 to 2024 (adding 988 positions across all funding streams). Of these new positions,166 were in the Managerial and Senior Professionals category, with that category growing 36% (from 462 to 629) in four years.

UCSC Employee FTE	April 2020	April 2024	Absolute Growth	% Growth
Faculty - Ladder-rank and Equivalent	571	646	75	13%
Faculty - Lecturers	168	180	13	8%
Other Academic Employees	256	305	49	19%
Student Teaching/Research Assistants	632	719	87	14%
Senior Management Group	8	11	3	38%
MSP (Managers + Senior Professionals)	462	629	166	36%
PSS (Professional Support Staff) - Non-Students	2125	2396	271	13%
Totals	**4830**	**5818**	**988**	**20%**

As the 2023-2024 CPB annual report notes, UCSC now has a substantially higher proportion of managers than other similar campuses:

UNIVERSITY OF CALIFORNIA, SANTA CRUZ AS/SCP/2106-13
Committee on Planning and Budget — Annual Report 2023-24

Figure 4. Ratio of managers to other staff and faculty at UCSC and comparator UC campuses, 2011-2023. Data source: https://www.universityofcalifornia.edu/about-us/information-center/uc-employee-headcount.



Not all of these FTE are core funded but some are; others may have initially been hired on temporary COVID relief funds but then shifted to core funding. Overall, staff salaries from core funds have seen significant growth in the campus permanent budget, jumping 50% ($49.9M) since 2020. In comparison, academic salaries from core funds have grown 23% ($35.3M). The rising cost of staff salaries from core funds was also uneven across campus with growth primarily in the administrative units:

Staff Salaries (Core Funds)	**2020**	**2024**	**Absolute Difference**	**% Difference**
FOA	$19,256,675	$27,409,438	$8,152,763	42%
Chancellor/CPEVC Units	$8,285,354	$16,299,183	$8,013,829	97%
Student Affairs & Success	$10,915,870	$16,474,711	$5,558,841	51%
ITS	$15,752,361	$20,632,888	$4,880,527	31%
Undergraduate Education	$9,353,108	$13,386,634	$4,033,526	43%
UR	$4,975,488	$8,031,780	$3,056,292	61%
Central Provisions	$2,153,700	$5,014,161	$2,860,461	133%
PBSci	$7,287,320	$10,095,608	$2,808,288	39%
SocSci Div	$3,275,841	$5,964,320	$2,688,479	82%
OR	$3,171,650	$5,235,006	$2,063,356	65%
SOE	$3,558,579	$4,945,223	$1,386,644	39%
Arts Div	$3,114,308	$4,310,614	$1,196,306	38%
Hum Div	$2,868,724	$3,974,007	$1,105,283	39%
Univ Ext	$908,835	$1,998,686	$1,089,851	120%
GradDiv	$520,287	$1,119,960	$599,673	115%
Library	$3,468,652	$3,903,102	$434,450	13%
UC Observatories	$314,550	$363,071	$48,521	15%
SVC	$92,000	$89,000	-$3,000	-3%
Total	**$99,273,302**	**$149,247,392**	**$49,974,090**	**50%**

The EVC and Chancellor pointed to “reorganization” as a primary reason for growth in some units when asked about this at the Winter meeting. However, if this were the case then we would expect to see more units with a decrease in costs. Instead, we see substantial growth in the staffing budgets for nearly all of the administrative units and less absolute growth in the academic units. Looking at **total** core and non-core budgets, we see a similar trend of growth in the administrative units:

Permanent Budget (Core + Non Core)	2020	2024	Absolute Difference	% Difference
Central Provisions	$150,734,684	$172,131,140	$21,396,456	14%
Student Affairs & Success	$205,842,193	$226,858,709	$21,016,516	10%
Student Aid	$94,357,419	$110,479,543	$16,122,124	17%
ITS	$25,397,760	$33,555,590	$8,157,830	32%
Chancellor/CPEVC Units	$16,064,564	$23,210,420	$7,145,856	44%
FOA	$54,447,253	$61,138,271	$6,691,018	12%
University Relations	$5,614,710	$12,123,213	$6,508,503	116%
Eng.	$30,289,785	$34,473,347	$4,183,562	14%
Undergraduate Education	$23,768,134	$27,929,340	$4,161,206	18%
University Extension	$11,580,483	$15181,503	$3,601,020	31%
SocSci	$31,750,795	$35,247,268	$3,496,473	11%
PBSci	$43,943,657	$46,757,401	$2,813,744	6%
Office of Research	$4,215,000	$5,889,396	$1,674,396	40%
Silicon Valley Center	$92,000	$1,298,245	$1,206,245	1311%
Library	$9,807,713	$10,779,712	$971,999	10%
GradDiv	$1,384,127	$2,000,546	$616,419	45%
Arts	$17,865,872	$18,197,427	$331,555	2%
UC Observatories	$612,267	$650,671	$38,404	6%
Humanities	$23,434,647	$22,091,443	-$1,343,204	-6%
Total	**$751,203,063**	**$859,993,185**	**$108,790,122**	**14%**

While some of the additional hiring was a necessary response to critical gaps in support for students and faculty and has advanced the campus's capacity to fulfill our mission, we are concerned about disproportionate growth at the managerial level and within units that are not on the frontlines of educating students and facilitating research.

In addition to rising salary costs (due to both increasing salaries and increasing numbers of employees, especially at the higher levels), we note some changes in revenue, including most significantly a decrease of approximately $33 million in non-resident tuition. While other campuses appear to have had a return of their international and out of state students post-COVID, this is not the case for UCSC. There has also been a sunsetting of doctoral aspirational funding from UCOP. On the other hand, the campus should have seen an increase in some revenue streams: the Tuition Stability Plan increases undergraduate tuition by approximately 4% by cohort and UCOP's "guardrail" adjustment to the re-benching plan should also generate additional per student funds for UCSC. Finally, there continue to be record system-wide investment returns, raising questions about the need for such deep cuts – an issue we discuss more below.

Key questions for the administration

The administration has indicated that the campus has a structural deficit in its core funds (vs. a structural deficit in relation to *all* revenue/expense streams).[1] While other UC campuses also have structural deficits in core funds, they often make up for this deficit through the use of non-core funds. Our administration has suggested that UCSC's structural deficit in core funds is a more severe problem requiring immediate deep budget cuts due to its size and our inability to backfill it with reserves and/or other funding sources. Without more detailed evidence and transparency, we are not convinced. Further, given the lack of discussion regarding how we arrived at this situation and the administration's failure to accept responsibility for it, it is difficult to have confidence in the administration's capacity to make sound financial decisions, including the radical cuts now being instituted and contemplated.

We believe that satisfactory answers to the following critical questions are necessary before moving forward with any further cuts to the permanent budget:

1. Faculty and staff were informed of the structural deficit in late 2023/early 2024. Given that other UCs have been aware of and addressing their structural deficits for the last few years, why was campus leadership either not aware or not forthcoming about our deficit sooner? And if campus leadership was aware earlier, why did it wait so long to act, and to inform faculty and staff?
2. It is clear to us that there has been growth in mid- and upper-level administrative positions over the past four years. How did you anticipate paying for this growth? In other words, what went wrong with the planning process over the past four years that allowed for this structural deficit to take form? What revenues were being anticipated that did not come through?
3. What layoffs have already occurred to date and what principles were used to determine those layoffs?
4. What principles are currently guiding decisions about where to cut?
5. Are there major initiatives that the campus intended to be revenue generating that cost the campus more than they bring in?
6. How much of an ongoing structural deficit in core funds would be acceptable to the campus? On what grounds is that number determined?
7. What is the status of the campus reserves? Are there assets (including in the Blue and Gold Endowment Pool or other investments) that could be used to allow us to make cuts more slowly and strategically so as to not harm the academic mission of the university?
8. Has the campus sought out increased funding or a no- or low-interest loan from UCOP in order to be able to make cuts more slowly and strategically so as to not harm the academic mission of the university?[2]

[1] Across all revenue sources, UC Santa Cruz's financial performance appears variable, with expenses outpacing revenue in fiscal years 2019-20 ($39.6 million deficit), 2020-21 ($109.9 million deficit), and 2022-23 ($76.3 million deficit), and revenue exceeding expenses in 2018-19 ($10.4 million surplus) and 2021-22 ($2 million surplus).

[2] UC's Investment Portfolio was $180 billion as of June 30, 2024; it grew by $29 billion over the last two fiscal years. Of that $180B, $137.6B is in pension and retirement savings, meaning $42.4B is available for other uses. In difficult moments, UCOP has used investment funds to support campuses, including in June 2020 when they handed $1.7 billion to the campuses to deal with the financial impacts of COVID.

Principles and suggestions for moving forward

1. Prioritize decentralized decision-making. Engage the Senate, the Deans, and other campus groups in transparent and meaningful dialogue so that we are genuinely part of the decision-making process. Decisions about cuts should be made as close to the ground as possible, rather than coming from on high.
2. Commit to a form of deficit management that does not damage the core research and teaching missions of the university. Cut less and more slowly. Be creative and explore all possible alternatives to making cuts that harm the academic mission of the campus. Consider taking out a no- or low- interest loan from UCOP and/or selling some assets to cover some costs until we are able to make more appropriate and thoughtful cuts that do not harm the academic mission of the university.
3. If cuts are necessary, they should be more deliberate. Engage the campus in a meaningful discussion of priorities. Cuts should be strategic, not reactive, and should be made as far from the core mission of teaching and research as possible. The evidence to date points to significant and out-of-proportion growth in mid-level and upper-administration positions that are often quite removed from the day-to-day work of supporting students, faculty, and the educational and research mission of the campus.
4. Deficit management should be carried out in a manner that does not undercut the university's mission to maintain a diverse and inclusive workforce.
5. Look to other campuses. Our understanding is that while other UC campuses also have structural deficits, they are moving to address these deficits more carefully and over a longer time scale. For example, UC Davis found a 2-3 year timeline of cuts to be impossible and had to extend it, decentralized power to give more autonomy to departments and divisions in making budget choices, and provided clear access to budget information on their website.

Budget cuts currently under consideration will make it impossible for already overworked faculty and staff to do our jobs. Teaching will suffer, research will suffer, student success (and campus rankings) will suffer in the short--and especially--long term.

We are hearing many faculty express a loss of confidence in campus leadership; the upcoming Academic Senate meeting is an opportunity to engage these critical issues for the future of our campus.